

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 IO-10 ISO-00 IGA-01 AGR-05 HEW-02 OES-03

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 6804

INFO USMISSION USOECD PARIS

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EO 11652: N/A

TAGS: EAID, EFIN, EAFR, BG

SUBJECT: BANGLADESH AID GROUP MEETING: BDG APPEAL TO DONORS

SUMMARY: BDG PLANNING COMMISSION SECRETARY SYEDUZZAMAN CALLED IN MAY 19 LOCAL REPRESENTATIVES MEMBERS BANGLADESH AID GROUP TO: (1) THANK DONORS FOR GENEROUS ASSISTANCE PROVIDED FY 75; (2) DISTRIBUTE COPIES BDG MEMORANDUM FOR AID GROUP; (3) DESCRIBE BDG ECONOMIC DECISIONS, INCLUDING DEVALUATION, TAKEN SINCE OCTOBER MEETING; AND (4) APPEAL TO DONORS REPS TO URGE THEIR GOVERNMENTS, IN LIGHT BDG POLICY DECISIONS, PROVIDE FURTHER GENEROUS SUPPORT IN FY 76. END SUMMARY.

1. PLANNING COMMISSION SECRETARY SYEDUZZAMAN CALLED IN CHIEFS OF MISSION RESIDENT DACCA REPRESENTING NATIONS MEMBERS BANGLADESH AID GROUP MAY 19 FOR INFORMAL MEETING OF LOCAL DONORS GROUP. IN ADDITION, VIRTUALLY ALL SUCH LOCAL REPRESENTATIVES, IMF, IBRD AND UNDP ALSO REPRESENTED. AMBASSADOR, AID MISSION DIRECTOR AND ECONOMIC COUNSELOR ATTENDED FROM US MISSION.

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2. SYEDUZZAMAN OPENED MEETING BY EXPRESSING HIS

GOVERNMENT'S GRATITUDE GENEROUS ASSISTANCE PROVIDED BY DONORS DURING 1974/75 WHICH SAW NEW, HIGH LEVELS REACHED FOR BOTH AID COMMITMENTS AND DISBURSEMENTS. FOOD COMMITMENTS HAD MORE THAN MET THE GOVERNMENT'S TARGET AND ACTUAL SHIPMENTS WOULD COME VERY CLOSE TO THAT TARGET. SYEDUZZAMAN RECALLED THAT AT FIRST AID GROUP MEETING IN OCTOBER THERE WAS CONSENSUS BOTH ON BDG SHORT-TERM DEVELOPMENT STRATEGY. BDG REPS AT OCTOBER MEETING HAD LISTENED CAREFULLY TO DONOR RECOMMENDATIONS. BDG HAD NOW RPT NOW TAKEN SEVERAL ECONOMIC POLICY DECISIONS IN PAST SIX MONTHS AND REACHED ACCORD WITH IMF AND DEVALUED TAKA. CRITICALLY IMPORTANT TO THIS DECISION FOR BANGLADESH IMPORT-ORIENTED ECONOMY WAS ASSURED FLOW OF FOODGRAINS AND AGRICULTURAL AND INDUSTRIAL INPUTS. THIS WAS SHORT-TERM IMMEDIATE NEED TO OFFSET INEVITABLE PRICE RISE FOLLOWING DEVALUATION. ACCORDINGLY, BDG INTENDS TO LICENSE AT LEAST \$500 MILLION WORTH OF IMPORTS DURING JULY-DECEMBER 1975 SHIPPING PERIOD. THIS CONTRAST WITH \$375 MILLION LICENSED JANUARY-JUNE 1975 PERIOD AND ACTUAL IMPORTS OF \$340-350 MILLION. BDG WAS MAKING OTHER ANTI-INFLATION EFFORTS, INCLUDING KEEPING TIGHT REIN ON DEFICIT FINANCING AND BANK CREDIT AND HOLDING DOWN BDG SALARIES.

3. SYEDUZZAMAN THEN APPEALED TO DONORS TO CONTINUE TO SUPPORT BDG EFFORT GENEROUSLY IN COMING FISCAL YEAR. NOTING THAT DONOR COUNTRIES' FISCAL YEARS DIFFER, HE MADE FOLLOWING SPECIFIC REQUESTS:

(A) FOR COUNTRIES WHERE FY BEGINS JAN. 1, "PLEASE HONOR YOUR OCTOBER 1974 PLEDGES";

(B) FOR COUNTRIES WHERE APRIL 1, "PLEASE COMMIT COMMODITY AND FOOD AID BEFORE PARIS MEETING";

(C) COUNTRIES WHERE FY BEGINS JULY 1 HAD "DOUBLE ADVANTAGE", SYEDUZZAMAN SAID. HE NOTED THAT FIRST THERE MIGHT BE SAVINGS IN AID BUDGETS AT END OF CURRENT FY, AND SECOND THOSE COUNTRIES WERE ABLE TO PLAN AHEAD FOR YEAR BEGINNING JULY 1.

4. SYEDUZZAMAN APOLOGIZED FOR DELAY (CAUSED BY DEVALUATION) IN DISTRIBUTION OF BDG MEMORANDUM FOR AID GROUP LIMITED OFFICIAL USE

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MEETING. (COPIES THIS MEMORANDUM BEING HANDCARRIED NEA/PAB AND AID/W THIS WEEKEND.)

5. PLANNING COMMISSION GENERAL ECONOMIC DIVISION CHIEF KHANDAKAR THEN REVIEWED BDG MEMORANDUM FOR AID GROUP WHICH, WITH THE SIGNIFICANT ADDITION OF DEVALUATION, WAS ALONG LINES REPORTED DACCA 2051. KHANDAKAR CONCLUDED THAT PRE-CONDITIONS FOR DEVELOPMENT WERE

NOW LAID DOWN AND THAT BDG HAD TAKEN "BOLD POLICY DECISIONS". AGAINST THIS BACKGROUND, PERFORMANCE BY BOTH BDG AND DONORS IN FY 76 WOULD BE OF CRITICAL IMPORTANCE. HE AGAIN APPEALED TO DONORS TO APPRECIATE BDG POSITION AT PARIS MEETING AND FOR DONORS TO DO ALL "TO HELP US".

6. DONOR REPS THEN ASKED QUESTIONS FOCUSING ON FOOD AID REQUIREMENTS. SYEDUZZAMAN EMPHASIZED THAT WITH SHIFT FROM RELIEF TO DEVELOPMENT PROGRAM, FOOD AID NEEDS WERE EXPECTED TO DECLINE TO ABOUT 1.5 MILLION METRIC TONS (MMT) ANNUALLY FOR NEXT THREE FISCAL YEARS, FY 76 THROUGH FY 78. FOR FY 76 HOWEVER 1.5 MMT REQUIREMENT PREDICATED ON ASSUMPTIONS OF GOOD WEATHER AND NO REPEAT NO SHORTFALL FROM PRODUCTION TARGETS WHICH DELIBERATELY SOMEWHAT AMBITIOUS. FURTHERMORE TO BEGIN PROCESS OF BUILDING UP FOODGRAIN STOCKS TO REQUIRED LEVEL OF AROUND 750,000 MT, FY 76 IMPORTS SHOULD REACH 2.0 MMT. BDG WOULD BE MOVING TOWARD FOOD SELF-SUFFICIENCY OVER THIS THREE-YEAR PERIOD. SYEDUZZAMAN ALSO EMPHASIZED IMPORTANCE OF PHASING FOOD ARRIVALS AT BDG PORTS AND UNDP RES REP TOOK OCCASION TO UNDERLINE NEED FOR BDG TO PLAY ITS PART BY ARRANGING PROMPTLY FUNDING OF OCEAN FREIGHT COSTS FOR FOODGRAIN SHIPMENTS. AID MISSION DIRECTOR UNDERLINED IMPORTANCE FOR BDG AGRICULTURAL DEVELOPMENT PROGRAM AND EVENTUAL ACHIEVEMENT FOODGRAIN SELF-SUFFICIENCY OF PROMPT PREPARATION NEW PROJECTS FOR DONOR CONSIDERATION.

7. SYEDUZZAMAN SAID BDG HAD JUST REACHED DECISION OT RPT NOT TO MAKE ANY CHANGE IN PRESENT PRICE OF FOODGRAINS DISTRIBUTED THROUGH RATION SYSTEM IN LIGHT NEED TO RESIST INFLATIONARY IMPACT DEVALUATION. BDG SALARY LEVELS WOULD REMAIN LIMITED OFFICIAL USE

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UNCHANGED. AT SAME TIME, IN RESPONSE EXPRESSIONS CONCERN FOR PLIGHT OF DESTITUTE INCLUDING RURAL LANDLESS, KHANDAKAR EMPHASIZED THAT FOOD DISTRIBUTION SYSTEM, IN TERMS OF RECIPIENTS, "ENTIRELY UNDER REVIEW" AND NO RPT NOT DECISION TAKEN YET.
BOSTER

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